

## LONG-TERM OBJECTIVE 2.3

Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps (SCOG).



### DID YOU KNOW?

Minority-owned employer establishments had lower survival rates than non-minority-owned employer establishments. At the same time, minority-owned establishments had higher expansion rates and lower contraction rates than non-minority-owned establishments.

Barriers to opportunity still prevent some individuals from taking full advantage of owning a small business. By enhancing the capability for more Americans to realize their business ownership dreams, the foundation of the economy will be further diversified and strengthened. The SBA seeks to foster an environment where small businesses can overcome barriers to economic opportunity in all areas of business development, including government contracting. This assistance will provide greater economic opportunity that will further contribute to the growth of the American economy. The next sections describe how SBA provided financial, technical and procurement assistance to the various groups included in this category.



### DID YOU KNOW?

While there was an overall loss of employment due to business closures and contraction among employer establishments that were in operation in 1997, employer establishments owned by Hispanics and by American Indians and Alaska Natives offered a significant increase in new jobs during the 1997-2001 period.

During 1997-2001, the business expansion rates of three minority business groups mentioned above were higher than that for non-minority-owned businesses.

## Financial Assistance

### Performance and Costs to Achieve Results

During FY 2005, SBA successfully increased the number of small business ownerships within certain segments of society facing special competitive opportunity gaps. The population affected by these competitive gaps includes African Americans, Asians, Hispanics, Native Americans, and other Minorities, Women, Rural and small businesses in Special Zone areas. When the SBA at regional levels perceives a need for investment and economic activity in particular areas of the country, the Agency sets specific targets for those markets. SBA targets its marketing and outreach efforts related to its loan products to those areas that have the potential for enhancing economic activity in those geographic areas, otherwise known as Special Zones. Included in this Special Zones category are specially-designated rural areas, or areas with high unemployment, or low and moderate incomes (LMI).

During FY 2005, an important goal of the Agency was to effectively and efficiently expand the availability of very small loans (microloans) to economically disadvantaged and/or distressed markets, including women, veterans, low-income, and minority individuals. These microloans include the delivery of a complementary program of technical assistance to maximize the success potential of prospective entrepreneurs in these markets.

With this in mind, in FY 2005 the SBA approved 1,833 microloans to businesses with special competitive opportunity gaps, which represented 75% of all microloan recipients. Those small businesses, which received an average of \$11,910 in microloans, also received technical training. Ultimately, SBA's objective is to demonstrate to private-sector lenders the potential viability of prospective

micro entrepreneurs in developing/distressed markets and communities. By SBA and private-sector lenders helping small businesses in these areas, an impetus for potential growth, financial stability, and job creation is granted for both the small business assisted and the community in which the small business is located.

In an attempt to reduce barriers to groups falling in these categories, SBA approved 74,307 loans through its 7(a) loan program, meeting its goal for this indicator. In net terms, SBA funded 68,540 7(a) loans to SCOGs; this represents 69,745 small disadvantaged businesses and small businesses located in distressed areas that have increased their chance for success by having the financial means that would have otherwise lacked.

During FY 2005, 7(a) loans to minorities represented 32% of all the 7(a) approved loans. This continues an upward trend since FY 2000, when minorities were 25% of the approved 7(a) loans. Women-owned businesses were 38% and rural businesses were 20% of the 7(a) approved loans. The chart below shows the breakdown by race and national origin of 7(a) loans in FY 2005.



### DID YOU KNOW?

Ethnic minority firm owners are more likely to have transaction loans from non-banks and less likely to have bank loans of any kind.

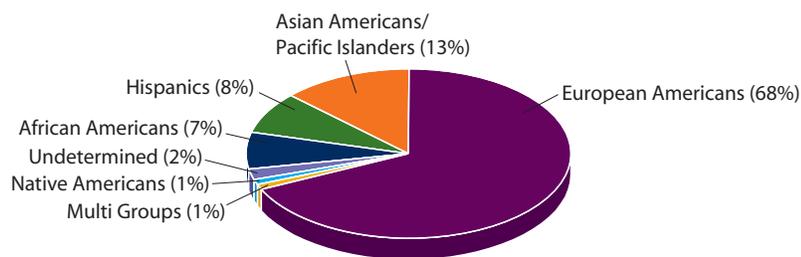
African-American and Hispanic firm owners face significantly greater loan denial probabilities than white male firm owners on both relationship bank loans and transaction bank loans. New evidence in this study hints that discrimination may be specific to particular segments of the loan market rather than a general problem.

Researchers found that lenders do not artificially restrict the credit-market access of female and Asian firm owners.

Preferential lending practices characterize the granting of transaction loans to a significantly greater degree than the granting of relationship loans.<sup>24</sup>

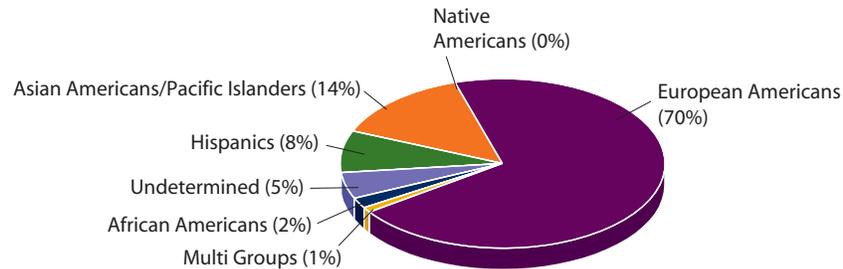
24. *Availability of Financing to Small Firms Using the Survey of Small Business Finances*, submitted by Karlyn Mitchell and Douglas K. Pearce <http://www.sba.gov/advo/research/rs257tot.pdf>

### FY 2005 7 (a) Loans Approved by Ethnic Group



In addition to assisting small business SCOGs through its 7(a) program, SBA assisted small businesses belonging to this subgroup through the 504 Loan program. Small businesses within this category received 6,853 loans during FY 2005, well exceeding its goal of approving 4,257 loans. After adjusting for cancellations, SBA funded 6,679 net 504 loans to small businesses SCOGs. The chart below shows the breakdown of 504 loans by race and national origin.

### FY 2005 504 Loans Approved by Minority Group



International trade can have a great impact on minority firms. During 1992, as categorized by race or national origin of ownership, the percentage of firms that exported was 2.7% for Hispanic, 2.3% for Asian or Native American, 1.8% for white, and 0.8% for African American. For the firms that exported, the effects of exporting were especially pronounced for minorities: 50% of the Hispanic-owned firms that exported derived 50% or more of total sales from exports, compared to 18.1% for exporting white-owned firms.<sup>25</sup>

This highlights how important it is to have financing readily available to engage in international trade. In FY 2005, SBA exceeded by 16% the goal for approved international trade loans to SCOG small businesses. SBA assistance represented \$682 million in export sales. In the international trade category, 45% of the net number of funded loans were to minority-owned small businesses.

SBICs can play a significant role in financing businesses facing special competitive opportunity gaps, because these businesses are often located in areas that do not attract significant amounts of venture funding. In addition, many of these businesses are still relatively new and have not achieved the size that would interest the larger venture funds. In FY 2005, the SBA provided financing to 351 small businesses facing special competitive opportunity gaps through the SBIC program. Additionally, the NMVC program financed 20 companies in low-and moderate-income communities that traditionally do not receive substantial amounts of venture funding. These businesses, while small, generally provide significant employment and other economic opportunities to the communities in which they belong. SBA did not meet the FY 2005 goal of assisting 34 SCOGs in FY 2005 through the NMVC program.

25. Exporting by Firm Size, Office of Advocacy, 1998. [http://www.sba.gov/advo/stats/exp\\_rpt.pdf](http://www.sba.gov/advo/stats/exp_rpt.pdf)

## Financial Assistance

### Performance Statement

Long-Term Objective 2.3 is a subset of LTOs 2.1 and 2.2. The Performance Statement below displays achievements and costs already captured under Performance Statements in LTO 2.1 and 2.2. These values should not be used for reconciliation purposes.

The following tables contains program output-measure values, total costs, and unit costs for indicators selected as

Performance Statement							
Program Level Financial Assistance							
<i>Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.</i>							
<i>Long-Term Objective 2.3: Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps (SCOG).</i>							
SBA Programs Output Measures		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2005 % Goal Variance
<b>Capital Access</b>							
7 (a) Loan Program	Loans Approved (number)	28,857	41,605	60,787	68,621	74,307	G 8.3%
	Net Loans Funded (number) <sup>a</sup>	25,323	36,705	54,250	N/A	68,540	N/A
504 Loan Program	Loans Approved (number)	3,004	3,962	6,207	4,257	6,853	B 61.0%
	Net Loans Funded (number) <sup>a</sup>	2,584	3,513	5,742	N/A	6,679	N/A
Microloan Program	Net Loans Funded (number) <sup>a</sup>	2,221	2,073	1,936	N/A	1,833	N/A
SBIC	Small Businesses Receiving Financings (number)	295	580	405	UNAVAIL.	351	N/A
International Trade	Loans Approved (number)	N/A	N/A	TBD	1,972	2,288	B 16.0%
	Net Loans Funded (number) <sup>a</sup>	N/A	N/A	N/A	N/A	2,145	N/A
	Value Export Sales Financing (\$)	N/A	\$373,059	\$467,949	\$522,580	\$682,175	B 30.5%
NMVC	Small Businesses Receiving Financings (number)	N/A	N/A	22	34	20	R -41.2%
<b>Total Financing Assistance Provided<sup>b</sup></b>		36,482	51,601	71,536	74,875	83,715	11.8%

a. New indicator as of FY 2005.

b. Total includes loans approved from 7(a) and 504 programs, net loans funded from Microloans, and the number of small businesses assisted through the SBIC and NMVC programs. International Trade loans are already captured under 7(a) and 504 Loans.

## Performance Statement

### Program Level Financial Assistance

*Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.*

*Long-Term Objective 2.3: Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps (SCOG).*

SBA Programs Outcome Measures		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2005 % Goal Variance
2.3.1 Increase the number of start-ups and existing small businesses facing special competitive opportunity gaps (SCOGs) receiving SBA assistance.							
<b>Capital Access</b>							
7(a) Loan Program	SCOGs Assisted	24,570	35,203	52,075	N/A	64,390	N/A
504 Loan Program	SCOGs Assisted	2,559	3,486	5,637	N/A	6,611	N/A
Microloan Program	SCOGs Assisted	2,221	2,073	1,936	N/A	1,833	N/A
International Trade	SCOGs Assisted	423	933	1,624	N/A	2,026	N/A
NMVC	SCOGs Assisted	N/A	N/A	22	34	20	-41.2% R
SBIC	SCOGs Assisted	295	580	405	UNAVAIL.	351	N/A
<b>Total SCOGs Assisted</b>		<b>29,645</b>	<b>41,342</b>	<b>60,075</b>	<b>34<sup>a</sup></b>	<b>73,205</b>	<b>N/A</b>
SBA Programs Cost Measures <sup>b</sup>		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2005 % Cost Variance
<b>Capital Access</b>							
7(a) Program	Total Cost (\$000)	N/A	\$104,960	\$84,306	\$57,752	\$56,475	-2.2%
	Cost Per Loan Funded (\$)	N/A	\$4,750	\$2,514	N/A	\$559	N/A
504 Loan Program	Total Cost (\$000)	N/A	\$15,521	\$16,413	\$11,122	\$16,234	46.2%
	Cost Per Loan Funded (\$)	N/A	\$4,418	\$2,858	N/A	\$1,584	N/A
Microloan Program	Total Program Cost (\$000)	N/A	\$9,881	\$4,871	0	\$3,281	N/A
	Cost Per Loan Funded (\$)	N/A	\$4,824	\$2,999	N/A	\$2,407	N/A
International Trade	Total Cost (\$000)	\$4,990	\$5,811	\$5,447	\$3,892	\$4,391	12.8%
	Cost Per Loan Funded (\$)	N/A	N/A	N/A	N/A	\$2,047	N/A
NMVC	Total Cost (\$000)	\$5,152	\$12,626	\$472	361	\$349	-3.3%
	Cost Per Business Assisted (\$)	N/A	N/A	\$21,455	\$10,618	\$17,449	64.3%
SBIC	Total Cost (\$000)	\$4,203	3,666	\$3,818	N/A	\$2,423	N/A
	Cost Per Business Assisted (\$)	N/A	N/A	N/A	N/A	\$6,905	N/A
<b>Total Financial Assistance Cost (\$000)</b>		<b>\$14,345</b>	<b>\$152,465</b>	<b>\$115,327</b>	<b>\$73,127</b>	<b>\$83,153</b>	<b>13.7%</b>

a. Revision of SCOGs Assisted data in FY 2005 resulted in lack of FY 05 goals data for 7(a), 504, and International Trade programs.

b. These SBA costs are a subset of SBA costs reported under LTOs 2.1 and 2.2.

**Goals Exceeded**

<b>Output Measure</b> 504 Loans Approved – small businesses facing special competitive opportunity gaps (SCOGS)		
<b>Target</b>	<b>Result</b>	<b>Above Target by</b>
4,257 Loans Approved	6,853 Loans Approved	61%
<b>Reasons for performance result</b>		
SBA had significant program changes in 2003-2004 that encouraged the expansion of existing experienced CDCs into broader geographic areas from local areas to state wide areas. The changes in CDC coverage areas were due to increased competition among CDC's and lenders and the increase was larger that we originally predicted. The increase in competitive gap numbers is partly the result of the larger numbers overall and may also be a sign that members of those groups are succeeding in growing businesses to the point where they become good candidates for the 504 program, i.e., they have significant cash flow and growth potential to need to acquire real estate.		
<b>Steps being taken to improve performance or targets</b>		
SBA does not believe that the 504 FY 2005 achievement was an anomaly, as the Agency continues to see an upward trend in the demand for the program. As a result, the projected 504 goal for the next fiscal year will higher than its FY 2005 goal.		
<b>Impact of result</b>		
The impact of the program is the jobs created or retained, 7a reflected 662,133 jobs while 504 reflected 135,022 or almost 800,000 between both programs for FY 2005.		

<b>Output Measure</b> International Trade Loans Approved – small businesses facing special competitive opportunity gaps (SCOGS)		
<b>Target</b>	<b>Result</b>	<b>Above Target by</b>
1,972 Loans Approved	2,288 Loans Approved	16%
<b>Reasons for performance result</b>		
The success is due in a great part to the availability of travel funds for the field network. They were able to travel throughout their extensive territory and sell the loan program to the banks and to the small business exporters.		
<b>Steps being taken to improve performance or targets</b>		
The FY 2006 training goal will reflect FY 2005 actuals.		
<b>Impact of result</b>		
This variance has no adverse impact on the program. More small business exporters were able to benefit from SBA loan programs.		

<b>Output Measure</b> International Trade, Value of Export Sales Financing – small businesses facing special competitive opportunity gaps (SCOGS)		
<b>Target</b>	<b>Result</b>	<b>Above Target by</b>
\$522,580	\$682,175	31%
<b>Reasons for performance result</b>		
The result is due in great part to the fact that OIT awarded 2,288 loans instead of the planned 1,972.		
<b>Steps being taken to improve performance or targets</b>		
The target amount will be adjusted in the future as the loan goal number is increased.		
<b>Impact of result</b>		
This variance has no adverse impact on the program. More small business exporters were able to benefit from the SBA's programs.		

### Goals Not Met

<b>Output Measure</b>		
New Market Venture Capital Small Businesses Assisted – SCOGS		
<b>Target</b>	<b>Result</b>	<b>Below Target by</b>
34 Small Businesses Assisted	20 Small Businesses Assisted	41.2%
<b>Reasons for performance result</b>		
The major reason SBA did not meet the FY 2005 goal for assisting small businesses is that the goal reported incorrectly represented the number of financings rather than number of small businesses assisted. In addition, in the beginning of FY 2005, the goal for number of small businesses assisted was mistakenly applied only to existing small businesses. The total goal should have been separated into start-ups and existing small businesses.		
<b>Steps being taken to improve performance or targets</b>		
SBA sees the above mentioned problems as a one-time issue and is currently working with NMVC companies to ensure the development and communication of accurate program goals. One of the steps already taken has been the addition of a new NMVC indicator in the LTO 2.1(Small Business Start-ups) financial assistance section of the 2005 PAR. This new indicator reflects the number of start-up businesses receiving NMVC assistance; effectively making the distinction between the number of start-ups and the number of existing small businesses assisted through this program. In the future, performance targets will be set accordingly.		
<b>Impact of result</b>		
SBA expects that improved performance measures for NMVC will, in the long-run, enhance program-related decision making and management.		

### Technical Assistance

#### Performance and Costs to Achieve Results

In the past, the SBA has had limited information available to assess performance outputs and outcomes for the services that were provided by its programs to historically disadvantaged groups and other groups facing special competitive opportunity gaps. To support the President's Management Agenda goal of improving e-government, during FY 2005, SBA completed the conversion to an upgraded Entrepreneurial Development Management Information System (EDMIS2). The conversion is enabling all the OED resource partners to more consistently report results using a common set of definitions. Beginning in FY 2006, SBA will be better able to collect, review and analyze more information on resource partner performance and services provided to historically underprivileged groups and those facing special competitive opportunity gaps, including representing groups not included in previous information collections.

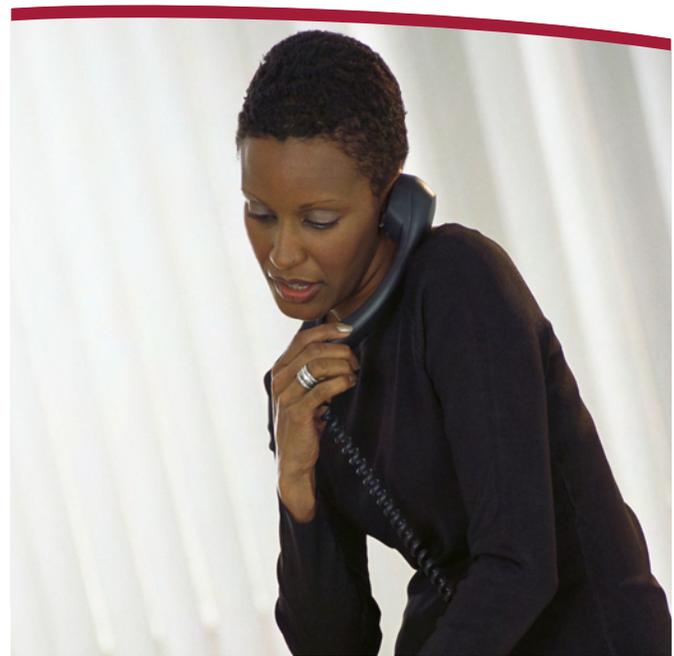
This year's major accomplishments related to the provision of technical and management assistance to the various groups within this category include:

- SCORE estimates that it will counsel approximately 56,600 women clients, and train nearly 35,000 women clients. SCORE attributes this success to cultivating client relationships, increasing awareness about its services, and increasing various marketing and public relations activities.
- SBA's strategic alliance with Junior Achievement International resulted in the development of a co-branded Website created especially for young entrepreneurs. The site is designed to guide young entrepreneurs to each organization's unique services for this nascent/start-up population.
- SCORE makes special efforts to reach out to diverse groups. Examples of such activities include: providing online counselors who are fluent in Spanish; providing a significant amount of

information on its Website in Spanish; cosponsoring with The Hartford a publication in Spanish on risk management (provided both online and in hard copy); cosponsoring with the IRS a tax information CD in Spanish; participating in the White House Initiative on Asian Americans; and providing representational leadership on the White House Initiative with the Urban League.

- SCORE has added a section on its Website targeted to the special needs of veterans. The organization also provides online counseling for veterans, active military and reservists, and has special initiatives with the National Guard for active military and reservists, in States including California.
- SBA, through its SBTN program, registered 82,000 existing small businesses. This is the first year registered clients have been tracked. As a result, prior experience was not available to establish more accurate metrics. In addition, client acceptance of e-training is growing. FY 2006 goals will more closely track known experience from FY 2005.

The SBDC program is aggressively marketing its services by highlighting the program's accomplishments and successes through press releases, articles, fact sheets and newsletters, and this effort has also aided the program's ability to reach diverse populations. Examples of targeted marketing are fact sheets developed specifically for veterans. In addition, language clearly indicating the availability of special technical assistance for service-connected disabled veterans and their immediate families, Reservists, and National Guard members called to active duty, has been included in the FY 2005 and FY 2006 Program Announcements, further identifying and providing outreach for veterans. Detailed instructions and directives to the SBDCs to contact the local National Guard Adjutant General and all units of the Military Reserves to identify operators of small businesses, the establishment of Veteran Entrepreneurial Training (VET) Programs, and identification of SBA on-staff veterans are all part of this vast outreach effort. SBDCs are also targeting their services to women entrepreneurs, with the total number of women counseled and trained by the SBDCs during FY 2005 estimated to be 266,000.



In addition to external outreach to underserved populations, the SBA is working across program lines to help the Office of Women's Business Ownership to achieve an improved financial review strategy for monitoring the WBCs. SBA recognized that a more robust financial review process beyond what was conducted by SBA District Office staff would help the WBCs establish better financial controls and reporting for their programs. In an effort to improve overall cost-effectiveness and quality financial oversight, the SBA worked collaboratively to implement an approach that supplements this review work by having OSBDC financial examiners and contractors cyclically performing WBC financial examinations. These examiners bring extensive backgrounds in reviewing the finances of SBDCs, which are, by nature,



### SBA HELPS ALAMO TAKE OFF

The Alamo Travel Group, Inc., a woman-owned, certified 8(a) and small disadvantaged business, was established by Patricia Stout in San Antonio, TX, in 1982. Initially the company grew slowly, but in 1992, it was awarded its first GSA contract.

In 1999, the firm received its 8(a) certification and was providing travel services to local, State and Federal government agencies. In 2000, with the financing doors open, Alamo Travel launched new office locations in New Orleans, The University of Incarnate Word, and the NASA Stennis Center. In 2001, the company opened a location at Tinker Air Force Base, three locations on Lackland Air Force Base, and nine other locations at Air Force bases throughout the U.S.

Alamo Travel was also approved for an SBA-guaranteed loan through GE Capital Small Business Finance Corporation. The funds were used to purchase a building in San Antonio to expand the company's base office. Alamo Travel is now the second largest travel agency in San Antonio.

normally more complex organizations than WBCs. The addition of more experienced examiners brings greater diligence and understanding of the applicable OMB circulars and regulations that WBCs must follow and increases the quality of the reviews, leading to better adherence to the applicable guidance. Understanding the quality of the WBCs' financial operations is significant, because integrity and control of financial resources are among the factors for rating past performance of WBC grantees.

In FY 2005, SBA revised its standard data collection format to collect information on existing businesses. The Agency was able to tie increases in profits, gross receipts, number of employees, and other factors to the number of existing businesses and the hours of training and counseling provided. SBA contracted services to arrange for WBCs to import data into the SBA EDMIS network. As a result, SBA will have a better measure of the number of clients served. All of this information will benefit us in further proving the value of the program.

SBA legislation requires that the WBC program target those segments of society that face barriers in competing in the marketplace. Each center is required to develop a plan for how it will reach and serve this multifaceted population. During FY 2005, there were over 100 WBCs, with at least one in every State and Territory, maximizing the sustainability and growth of existing small businesses.

The WBCs must plan to increase their services by 10% each year. The SBA has been able to claim this impressive rate of response in its annual reports to Congress and OMB. In FY 2005, SBA expanded the performance-based evaluation system implemented in 2004 for rating and funding the Agency's women's business centers. This effort supports the budget and performance integration component of the President's Management Agenda.

SBA issued a program announcement electronically via Grants.gov, inviting the nine eligible graduate WBCs to apply for a sustainability WBC. These seasoned centers will be able to continue providing services to their established businesses clients for another year.

The annual program announcement requires applicants to have the capability to serve all levels of business growth. An estimated 20% of SBA clients are in business and seeking more advanced assistance to grow or better manage their firms. SBA serves these clients by providing training that addresses issues such as government procurement, international trade/exporting, venture capital, etc.

The SBA, through its Office of Native American Affairs (ONAA), coordinates Native American initiatives and develops policies and procedures to ensure that SBA assistance is made available to American Indians, Native Alaskans, and Native Hawaiians. The initiative consists of two major components: marketing and outreach, and training to enhance business opportunities.

During FY 2004 and FY 2005, through an agreement with the Bureau of Indian Affairs (BIA), SBA subcontracted to Southwestern Indian Polytechnic Institute (SIPI), a two-year tribal college providing technical and higher education opportunity. The agreement enabled the development and implementation of a training program for Native American entrepreneurs, particularly those located in the most disadvantaged tribal areas. SIPI also customized existing SBA training and materials to be more culturally and legally specific. The training program will also allow the tribal colleges to provide assistance to SBA in developing new curricula on how to start and grow a small business.

During FY 2005, the Agency provided business development assistance for 50 Native American businesses in California, New Mexico, Montana, South Dakota, Washington and Idaho.

ONAA assisted in the promotion of SBA programs in public service announcements, radio spots, newspapers, Native radio programs, and at major Native American conferences. The Agency also promoted Tourism on the Navajo Reservation, during which entrepreneurs were trained on acquiring financial literacy, business, and management skills.

The Veterans Entrepreneurship and Small Business Development Act of 1999 (VESBDA) clearly indicates the need for special incentives directed to the start-up and sustainability of veteran and service-disabled veteran owned small businesses. Veterans re-assimilating into mainstream society face numerous challenges. Perhaps one of the greatest obstacles for veterans and veteran entrepreneurs is establishing or re-establishing good credit after discharge from the military. Many non-career and career veterans find themselves saddled with a bad credit rating upon discharge from the Armed Forces, stemming from factors such as: inability to establish long-term credit references; frequency of temporary duty assignments, which impedes establishment of a stable credit history with local vendors and businesses; and an inability to establish stable banking relationships with local banks.

The SBA recognized these impediments and developed and promoted an array of outreach assistance “tools” to facilitate the transition process for Guard and Reservists, as well as, for the veteran who wants to start a small business or grow an existing small business. This outreach material significantly enhances and increases small business success by bridging competitive opportunity gaps facing veteran entrepreneurs.

In FY 2005, SBA completed distribution of its business development resource materials to the state offices of the ESGR (Employer Support of Guard and Reserve), to the DoD Reserve Affairs Office, and to Veterans Service Organizations (VSOs). Over 10,000 copies were provided to National Guard units. These materials included: Getting Veterans Back to Business Resource Guides and CD ROMs, R&G Fact Sheets, SBA Profiles

and Office of Veterans Business Development Fact Sheet. Distribution in electronic format was made to the 50 ESGR State Offices for Reserve Component members who are self-employed or small business owners and to 160 identified-VSOs nationwide.

Survey findings revealed that: 88% of the clients using the resources available were satisfied with the quality, relevance and timeliness of the assistance provided; clients' evaluating the Centers gave 90% ratings for the training programs provided and 85% ratings for program evaluation; and the combined ratings for training and program evaluation equated to an overall satisfaction rating of 88%. In FY 2005, SBA also completed the Pre-Mobilization Guide for the Guard and Reserve and provided distribution to Guard and Reserve units throughout the country.

SBA, through its microlender partners, provided 13,389 hours of pre-loan assistance to small business microloan borrowers within this segment. No comparison with FY 2005 Microloan technical assistance goals is possible because the program did not request funding for 2005 and, therefore, no performance goals were established for FY 2005.



### THE SBA REACHES ONE, THE ONE REACHES MANY

When Ron Woods founded Industrial Supply, Inc. in 1997 and knew he needed Government certification to help build credibility. The firm is **8(a) and HUBZone certified**. And now, as a distributor of paper and cleaning products, it has a worldwide contract with the Defense Department and supplies Department of Veterans Affairs hospitals nationwide with paper and cleaning products.

About 90% of Industrial Supply's business is government contracts. Last year, the company recorded \$4.5 million in sales. In both 2003 and 2004, the company won the Pentagon's "Best Value" gold medal. This meant that the firm's customer service record had to be perfect for on-time delivery, order satisfaction and accurate invoicing.

Recently, Industrial Supply began offering a new service that shows disabled veterans how to build successful small businesses. Woods also is expanding into providing building supplies, remodeling aging military housing on bases and developing property in the inner city. "My long-term goals are to create jobs and be an economic power base for the minority community," Woods said. "I want to leave a legacy of empowerment and a real business that can be counted on in the community."

## Technical Assistance

### Performance Statement

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SBA Programs Output Measures <sup>a</sup>		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2005 % Goal Variance
<b>Capital Access</b>							
Microloan Program	Hours of technical assistance (number)	N/A	N/A	UNAVAIL.	N/A	23,389	N/A
	Small businesses receiving technical assistance (number)	N/A	N/A	UNAVAIL.	N/A	1,833	N/A
<b>Government Contracting / Business Development</b>							
7(j) Program	Face-to-face training	N/A	N/A	5,776	2,000	2,107	<b>G</b> 5.3%
<b>Entrepreneurial Development<sup>b</sup></b>							
SCORE <sup>g</sup>	Attendees trained (number) <sup>c</sup>	N/A	N/A	49,449	Base Year	34,799	N/A
	Clients counseled (number) <sup>c</sup>	N/A	N/A	76,285	Base Year	56,559	N/A
SBDC <sup>g</sup>	Attendees trained (number) <sup>c</sup>	171,483	181,960	195,357	Base Year	172,034	N/A
	Clients counseled (number) <sup>c</sup>	99,826	103,061	110,551	Base Year	93,866	N/A
WBC <sup>g</sup>	Attendees trained (number) <sup>c</sup>	N/A	N/A	50,573	Base Year	72,774	N/A
	Clients counseled (number) <sup>c</sup>	N/A	N/A	26,652	Base Year	24,077	N/A
<b>Total Technical Assistance Provided<sup>d</sup></b>		271,309	285,021	514,643	2,000 <sup>e</sup>	458,049	N/A <sup>f</sup>

a. Italicized numbers represent estimates.

b. Due to changes in ED client definitions, FY 2005 goal was set as base year.

c. Goals have been restated to be based on new 2005 estimates.

d. Represents the sum of Attendees Trained and Clients Counseled under SCORE, SBDC, AND WBC.

e. Total does not include the target from the main technical assistance programs. Due to changes in ED client definitions, FY 2005 goal was set as base year for technical assistance programs.

f. Variance could not be calculated due to distortion of FY 2005 values that resulted from ED client definition changes.

g. Values for current fiscal year are estimates. Please click on program name to see methodology used to calculate the estimates. Actual values will be available by 11/30/05.

## Performance Statement Program Level Technical Assistance

*Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.*

*Long-Term Objective 2.3: Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps (SCOG).*

SBA Programs Outcome Measures <sup>a</sup>		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2005 % Goal Variance
2.3.1 Increase the number of start-ups and existing small businesses facing special competitive opportunity gaps (SCOGs) receiving SBA assistance.							
<b>Capital Access</b>							
Microloan Program	SCOGs Assisted	N/A	N/A	UNAVAIL.	N/A	1,833	N/A
<b>Government Contracting / Business Development</b>							
7(j)	SCOGs Assisted	N/A	N/A	5,776	2,000	2,107	G 5.4%
<b>Entrepreneurial Development</b>							
SCORE	SCOGs Assisted	N/A	N/A	125,734	N/A	91,358	N/A
SBDC	SCOGs Assisted	271,309	285,021	305,908	Base Year	265,900	N/A
WBC	SCOGs Assisted	N/A	N/A	77,225	Base Year	96,851	N/A
<b>Total SCOGs Assisted</b>		271,309	285,021	514,643	2,000 <sup>b</sup>	458,049	N/A <sup>c</sup>
SBA Programs Cost Measures <sup>d</sup>		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2005 % Cost Variance
<b>Capital Access</b>							
Microloan Program	Total Cost (\$000)	N/A	\$15,127	\$8,767	N/A	\$10,632	N/A
	Cost Per Hour of Technical Assistance	N/A	N/A	UNAVAIL.	N/A	\$455	N/A
<b>Government Contracting / Business Development</b>							
7(j) Program	Total Cost (\$000)	\$4,534	\$2,803	\$4,626	\$2,813	\$3,116	10.8%
	Cost Per Face-to-Face Training (\$)	N/A	N/A	\$801	\$1,407	\$1,479	5.1%
<b>Entrepreneurial Development</b>							
SCORE	Total Cost (\$000)	\$7,307	\$6,360	\$6,209	\$6,622	\$4,103	-38.0%
	Cost per Client Served (\$)	N/A	N/A	\$49	N/A	\$45	N/A
SBDC	Total Cost (\$000)	\$61,044	\$51,418	\$44,643	\$44,025	\$39,931	-9.3%
	Cost per Client Served (\$)	N/A	N/A	\$146	N/A	\$150	N/A
WBC	Total Cost (\$000)	\$21,018	\$16,238	\$15,232	N/A	N/A	N/A
	Cost per Client Served (\$)	N/A	N/A	\$197	N/A	N/A	N/A
<b>Total Technical Assistance Cost (\$000)</b>		\$93,903	\$91,946	\$79,476	\$53,460	\$57,782	8.1%

a. Italicized numbers represent estimates.

b. Total does not include the target from the main technical assistance programs. Due to changes in ED client definitions, FY 2005 goal was set as base year for technical assistance programs.

c. Variance could not be calculated due to distortion of FY 2005 values that resulted from ED client definition changes.

d. These SBA costs are a subset of SBA costs reported under LTOs 2.1 and 2.2.

## **Procurement Assistance**

### **Performance and Costs to Achieve Results**

The SBA lends procurement assistance to existing small businesses facing special competitive opportunity gaps by helping with their development through the 8(a) program, providing contracting opportunities to firms located in distressed communities through the HUBZone Program, and increasing the contracting opportunities for small businesses by guaranteeing their bid bonds through the Surety Bond Guarantee program.

The 8(a) program accomplishments and plans were described in Long-Term Objective 2.2, which describes the focus of the Agency on existing businesses.

The HUBZone Program is a unique community-focused Federal contracting program. The program's mission is to increase employment, promote capital investment, and foster economic development in distressed urban and rural communities throughout the Nation. Eligible communities include qualified census tracts, non-metropolitan counties experiencing high unemployment or low household income, Indian Country, difficult-to-develop areas outside the contiguous United States, and areas affected by base realignments and closures. Under the program, small firms located in such communities and employing significant numbers of their residents are eligible to compete for HUBZone contract set-asides; for application of a 10% price evaluation preference in full and open competition; for award of sole-source contracts in very limited circumstances; and for subcontracting opportunities under large prime contracts.

During FY 2005, the HUBZone Program initiated the first formal evaluation of its economic development impact. Specifically, it conducted a survey of its portfolio of approximately 13,000 firms to assess the effect of certification as "qualified HUBZone small business concerns" on firms' employment, employment of HUBZone residents, and capital investment. Results clearly demonstrate substantive economic development in eligible communities attributable to award of contracts under the HUBZone Program. Approximately 27% of all HUBZone-certified firms responded. These firms report that capital investment attributable to HUBZone certification aggregated more than half a billion dollars; that employees hired as a result of HUBZone certification exceeded 11,000; and that HUBZone residents hired as a result of certification totaled more than 7,000.

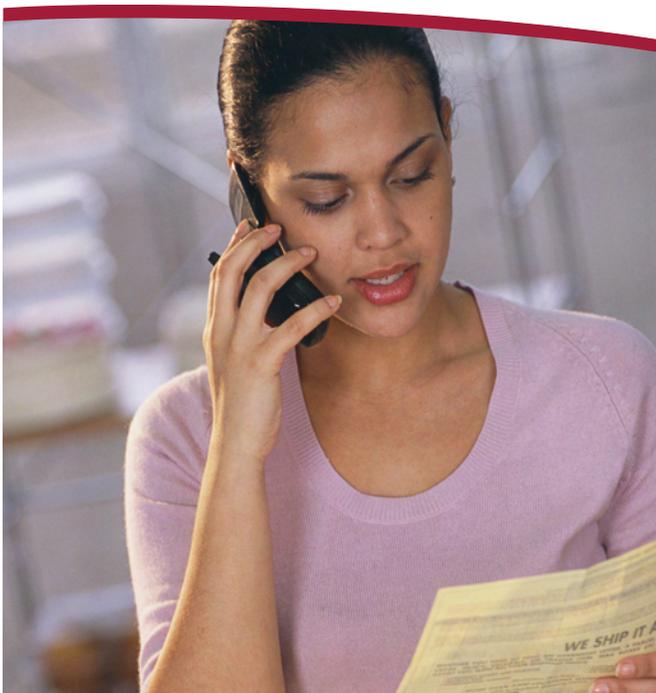
Recognizing that the HUBZone Program's utility as an economic development tool hinges upon award of substantive Federal contracts to certified firms, the Agency implemented a HUBZone Procurement Query and Reporting System: The system assists acquisition agencies in identifying opportunities to set-aside for award to HUBZone firms, and to help agencies in meeting the 3% statutory prime contracting target. The system queries the FedBizOps database daily to identify opportunities that could have been set aside for HUBZone competition, but were not, and notifies cognizant contracting officers and Offices of Small and Disadvantage Business Utilization. The objective of this effort is to increase award of Federal requirements to HUBZone-certified firms to promote job growth, investment and economic development in distressed communities.

The Small Business and Manufacturing Assistance Act of December 8, 2004, dramatically changed the HUBZone Program by reducing the United States citizen ownership and control requirements

from 100% to 51%; changing unemployment requirements to enable more rural counties to benefit from the program; and extending eligibility to areas affected by base realignments and closures. The Agency modified the HUBZone Program to give immediate effect to these changes. To encourage maximum program participation, it drafted new HUBZone regulations, and modified HUBZone geocoding and application systems.

Recognizing the need for consistent quality in communication about SBA programs, the HUBZone Program developed and pilot-tested a standardized outreach and marketing package to inform the economic development, acquisition, and small business communities. Efforts focused on communicating changes to the HUBZone Program arising out of the Small Business and Manufacturing Assistance Act. Among other things, these changes broadened eligibility criteria, enabling more communities and firms to participate in the program. During FY 2006, SBA plans to communicate with economic development officials in approximately 280 of the most distressed communities, to encourage use of the HUBZone Program as an economic development tool.

At the same time, the HUBZone Program developed a standard presentation that will ensure that members of Congress and staffs understand the potential impact and benefit of the program within their States and districts. This package serves as an outreach, community service tool for members to provide timely, accurate, and high-quality information to their constituents regarding program eligibility and benefits. The objective of this initiative is to ensure that the greatest possible numbers of eligible firms compete under the HUBZone procurement preferences, to ensure that jobs, investment and economic development flow to as many distressed communities as possible.



The Agency also began working with State and local governments to expand the HUBZone Program concept to those government entities. Specifically, the program began developing and pilot testing marketing materials and approaches to encourage States and municipalities to extend local procurement preferences, tax incentives, and training support to firms meeting HUBZone Program eligibility requirements. The objective of this effort is to broaden economic development opportunities arising out of government contracting activities, to benefit the nation's most distressed urban and rural communities.

In addition to these activities, SBA undertook the following projects and initiatives in support of its strategic goals and initiatives:

- Increased overall women and veteran-owned small business participation in Business Matchmaking sessions.
- Executed more than 575 HUBZone program examination actions, exceeding its FY 2005 target.
- Executed more than 700 HUBZone Program recertification actions, exceeding its FY 2005 target.

The Surety Bond Guarantee Program affords small businesses increased contract opportunities by providing surety companies an incentive to issue bid and final (performance and payment) bonds to small businesses. Bonds are required on all major construction contracts, and on certain supply and service contracts. Many new and emerging small businesses do not have the performance history and accumulated capital investments that more mature businesses possess. Without SBA's guarantee provisions, many of these small businesses would be unable to obtain bonding. In FY 2005, SBA entered into guarantee arrangements on 7,725 bonds. Of these, 2,159 bonds were issued to 8(a), SDB, and HUBZone firms.

### Looking Forward

In FY 2006, SBA will automate the surety bond application forms, and work to re-engineer and streamline the process. In addition, the Agency will re-engineer the claims recovery procedure to expedite the submission, review and payment processes. In combination, these enhancements will better serve the small business community and strengthen the SBA partnership with the surety companies.



### WOMAN-OWNED FIRM CONSTRUCTS SUCCESS

A certified professional estimator with over 24 years experience in the construction industry, Mary F. Crawford serves as president of Crawford Consulting Services, Inc. (CCS), a 100 percent woman-owned small business, 8(a), and small disadvantaged business certified.

The company, founded in 1993, provides cost estimating, CPM scheduling, project management, construction management, general construction, and contract support services for all phases of construction. CCS was one of the first construction-related firms focused on cost estimating and the first woman-owned business specializing in this service. Through the **SBA's 8(a) program**, Crawford has received training and counseling on marketing, finance, and other business issues. The SBA also directed CCS to a bonding company to assist in attaining bonding for the firm's general construction projects, and she has obtained contracts with Federal agencies through the program.

Sales have grown at a steady pace, and the firm employs 16 full-time salaried personnel as well as a number of field personnel. In 2002, Crawford was selected by the Naval Facilities Engineering Command Headquarters as one of only six woman-owned businesses in the U.S. to participate in a DoD Business Technical Assistance Pilot Program.

## Procurement Assistance

### Performance Statement

Long-Term Objective 2.3 is a subset of LTOs 2.1 and 2.2. The Performance Statement below displays achievements and costs already captured under Performance Statements in LTO 2.1 and 2.2. These values should not be used for reconciliation purposes.

The following tables contains program output-measure values, total costs, and unit costs for indicators selected as the basis for program efficiency measurement.

Performance Statement							
Program Level Procurement Assistance							
<i>Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.</i>							
<i>Long-Term Objective 2.3: Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps (SCOG).</i>							
SBA Programs Output Measures		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2005 % Goal Variance
<b>Capital Access</b>							
Surety Bonds	Bid Bonds Guaranteed (number) <sup>a</sup>	N/A	N/A	N/A	N/A	931	N/A
	Final Bond Guaranteed (number) <sup>b</sup>	N/A	N/A	N/A	N/A	530	N/A
<b>Government Contracting / Business Development</b>							
HUBZone	Certification Actions (number) <sup>c</sup>	2,786	2,338	2,294	2,900	2,960	G 2.1%
	Program Examinations Completed (number)	N/A	N/A	505	575	593	G 3.1%
8(a) Program	Applications Processed (number) <sup>b</sup>	N/A	N/A	N/A	N/A	3,980	N/A
	Applications Approved (number) <sup>b</sup>	1,251	1,350	1,328	N/A	1,477	N/A
	Participants Serviced (number) <sup>b</sup>	7,585	8,431	8,900	N/A	9,458	N/A
<b>Total Procurement Assistance Provided</b>		10,371	10,769	11,194	2,900	12,948 <sup>d</sup>	N/A <sup>e</sup>
SBA Intermediate Outcome Measures		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2005 % Variance
HUBZone	Capital Investment Increase (percentage)	N/A	N/A	N/A	N/A	32%	N/A
	Jobs Created/Retained (percentage)	N/A	N/A	150,000	157,500	191,000	B 21.3%
8(a) Program	Small businesses still in business 3 years from date of exiting 8(a) program (percentage)	N/A	N/A	86%	70%	77%	G 10.0%

a. Original indicator Bonds Guaranteed was replaced by Bid Bonds Guaranteed.

b. New indicator established in FY 2005.

c. During FY 2005, indicators Program Recertification Actions and Small Businesses Certified were combined into one new indicator called Certification Actions (number).

d. Total includes FY 2005 performance values of new indicators.

e. Variance cannot be calculated due to the high FY 2005 actual value resulting from the addition of a new indicator.

Performance Statement							
Program Level Procurement Assistance							
<i>Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.</i>							
<i>Long-Term Objective 2.3: Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps (SCOG).</i>							
SBA Programs Outcome Measures		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2005 % Goal Variance
2.3.1 Increase the number of start-ups and existing small businesses facing special competitive opportunity gaps (SCOGs) receiving SBA assistance.							
<b>Capital Access</b>							
Surety Bonds	SCOGs assisted	N/A	N/A	N/A	N/A	530	N/A
<b>Government Contracting / Business Development</b>							
HUBZone	SCOGs assisted <sup>a</sup>	2,786	2,338	2,294	2,900	2,960	G 2.1%
8(a) Program	SCOGs assisted <sup>b</sup>	7,585	8,431	8,900	N/A	9,458	N/A
	<b>Total SCOGs Assisted</b>	10,371	10,769	11,194	2,900	12,948	N/A <sup>c</sup>
SBA Programs Cost Measures		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2005 % Cost Variance
<b>Capital Access</b>							
Surety Bond	Total Cost (\$000)	N/A	N/A	N/A	N/A	\$1,540	N/A
	Cost per Final Surety Bond	N/A	N/A	N/A	N/A	\$2,906	N/A
<b>Government Contracting / Business Development</b>							
8(a) Program	Total Cost (\$000)	\$42,434	\$33,375	\$34,945	\$32,176	\$31,387	-2.5%
	Cost Per Participant Served	\$5,594	\$3,959	\$3,926	N/A	\$3,319	N/A
HUBZone	Total cost (\$000)	\$6,539	\$5,648	\$6,825	\$7,849	\$7,769	-1.0%
	Cost Per Certification Actions	\$2,347	\$2,416	\$2,975	\$2,707	\$2,625	-3.0%
	<b>Total Procurement Cost (\$000)</b>	\$48,973	\$39,023	\$41,769	\$40,025	\$40,696	-1.7%

a. Reflect Final SBG.

b. Reflect the Participants Served.

c. Variance cannot be calculated due to the high FY 2005 actual value resulting from the addition of a new indicator.

**Goals Not Met**

<b>Outcome Measure</b> HUBZone, Number of Jobs Created/Retained – SCOGs		
<b>Target</b>	<b>Result</b>	<b>Below Target by</b>
157,500 jobs created/retained	191,000 jobs created/retained	21%
<b>Reasons for performance result</b>		
Subsequent to estimates, the laws governing the HUBZone Program changed, extending and expanding geographical eligibility. Rural areas were particularly affected. The Agency believes that more large rural firms applied and were certified under the Program in FY 2005 than in prior years, resulting in the positive variance.		
<b>Steps being taken to improve performance or targets</b>		
SBA believes that the growth in size of firms applying will level off shortly. The Agency will monitor FY 2006 first and second quarter results, and adjust multi-year targets accordingly.		
<b>Impact of result</b>		
This variance has no adverse impact on the program.		